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SENSITIVE  
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DEPARTMENT PLEASE PASS TO PEACE CORPS  
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SUBJECT: YUNNAN OFFICIALS ON EVOLVING ECONOMY, ALTERNATIVE ENERGY,  
REGIONAL INTEGRATION, RELIGIOUS FREEDOM, PEACE CORPS

REF: A. A) 09 CHENGDU 000069

[1](#)B. B) 07 CHENGDU 000274 AND PREVIOUS

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[1](#)1. (U) This cable contains sensitive but unclassified  
information - not for distribution on the Internet.

[1](#)2. (SBU) Summary: Yunnan Province lags behind other provinces in  
economic development, though its rich resources offer great  
potential. Its economy is slowly shifting from traditional  
sectors such as tobacco, rubber, and metals to new industries  
such as tourism and alternative energies. Yunnan's two biggest  
trading partners were Myanmar and Vietnam; trade fell by 45.6  
percent in the first half of 2009; foreign investment in 2008  
grew by 40 percent from a low base. China is deepening economic  
integration with its Southeast Asian neighbors, in part through  
major investments in transportation infrastructure. Kunming's  
Vice Mayor voiced surprisingly strong support for religious  
freedom, saying the religiously-minded are less likely to be  
criminals. Officials reacted warmly to the idea of possible  
Peace Corps expansion into Yunnan. Consul General also did  
advocacy on behalf of U.S. firms in water treatment and film  
industries. End Summary.

Yunnan Officials Meet CG in Kunming  
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[1](#)3. (SBU) During an August 11-13 trip to Kunming in Yunnan  
Province, Consul General (accompanied by PolEcon Officer and  
LES) met with Yunnan Province Vice Governor Gu Zhaoxi, Yunnan  
Province Foreign Affairs Office Director Zhou Hong, Kunming  
Party Secretary Qiu He, Kunming Vice Mayor and Director of the  
Kunming Public Security Bureau Du Ming, and Chairman of the  
Yunnan China Commission for the Promotion of International Trade  
(CCPIT). (CG and ConGen staff subsequently traveled to Diqing  
Tibetan Autonomous Prefecture in northwest Yunnan, reported  
septel). The following summarizes officials' views as expressed  
to the CG except where specifically attributed.

Yunnan Lagging in Economic Development  
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[1](#)4. (U) Yunnan's economic development lags behind many other  
provinces, partially due its many reserve areas in which  
development is restricted. (Yunnan's tall mountains and  
frequent natural disasters were also cited as reasons for its  
lagging growth.) Nonetheless, it has its own advantages:

-- Tourism is one of Yunnan's top industries, ranked sixth among  
Chinese provinces, with the province having received over 20  
million visitors last year (four million of them foreign).

-- Yunnan accounts for 28 percent of China's tobacco output and has the country's largest cigarette plant.

-- Yunnan is China's largest rubber producer and is also well-known for its non-ferrous metal resources.

China's Great Western Development Plan has brought significant benefits to Yunnan. In coming decades, inland and western parts of China, especially areas bordering with foreign countries, will have increasing economic opportunities.

#### Alternative Energy in Yunnan

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15. (SBU) Yunnan has great potential for alternative energy applications. Being rich in sunlight, officials are considering using solar technology in remote areas. In addition, Yunnan currently has six wind farms in Dali in southern Yunnan, and is the second largest producer of sugarcane in China (much of which is used to make biofuels), with an annual output of two million tons. The primary sources of electric power in Yunnan, however, remain thermal power generation and hydropower. Officials estimate Yunnan has 90,000 megawatts of potential hydroelectric power generation due to its six major rivers.

#### Foreign Trade Down in 2009; Investment Up in 2008

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16. (U) The total value of Yunnan's foreign trade in the first half of this year was USD 2.9 billion, down 45.6 percent from the same period last year. Yunnan's top two trading partners are neighbors Myanmar and Vietnam, followed by Indonesia, Japan, Australia, and the United States, with foreign trade involving India on the upswing.

17. (U) Although foreign investment in Yunnan in 2008 grew by 40 percent, actual foreign investment totaled only USD 470 million,

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most of which went into tourism, agriculture (flowers), cement and building materials, water and wastewater treatment, and light industry. Officials noted that U.S. investment in Yunnan is currently quite low.

#### Send More U.S. Business to Yunnan, Please

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18. (SBU) As the central government increases its focus on China's West, there will be increasing opportunities for foreign investment, and Yunnan welcomes increased participation by U.S. companies. Yunnan's fixed asset investment for the first half of 2009 increased by 49.1 percent over the same period last year. Yunnan needs technology for environmental protection, water and wastewater treatment, alternative energy production, and mining of non-ferrous metals. Officials responded warmly to CG's specific mention of Western Water Group and their projects in Yunnan (reported septel), as well as plans already underway by an American filmmaker to produce a Hollywood-backed film telling the story of WWII's Flying Tigers, who were based in Kunming. (Note: comments by other Yunnan officials on the sidelines of one meeting confirmed the filmmaker's fears that Hong Kong producer-director John Woo, who recently announced plans to film his own version of the story, was already attempting to outmaneuver Hollywood for local officials' attention. End Note.)

#### Strengthening Links and Relations with Southeast Asia

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19. (SBU) Several officials emphasized the benefits to Yunnan of China's participation in the ASEAN 10 plus 1 structure, arguing Yunnan's close relationships with its foreign neighbors helped shield it from the effects of the economic crisis. (As China's relationship with ASEAN deepens, Yunnan will benefit further. Yunnan maintains strong transportation links with its Southeast Asian neighbors, including 14 airports, with another 4-5

currently under construction, and several bilateral or multilateral highway and rail links in varying states of completion (Ref A). In addition, four of Yunnan's major rivers flow into bordering countries, some of which provide shipping links.

#### More Churches, Fewer Jails

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¶10. (SBU) Of China's 56 ethnic groups, 25 are represented in Yunnan. Officials repeatedly emphasized Yunnan's ethnic and religious "harmony." Yunnan's ethnic groups "moved directly from primitive society to socialist society," but get along well as historically no one group is stronger than the others, Vice Governor Yu said. Responding to specific questions about religious freedom raised by CG, Vice Mayor Du said Kunming has begun to pay particular attention to this issue (Ref B), for example he instructed the Public Security Bureau to release property it held belonging to a Kunming Catholic Church that had been seized decades ago. I would "rather build more churches than jails," Du added, citing statistics showing that citizens in Kunming who practice a religion have a much lower crime rate than those without a religious faith.

#### Yunnan Officials to Consider Expansion of Peace Corps

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¶11. (SBU) Yunnan officials responded warmly to CG's suggestion - cleared with Peace Corps in Chengdu - of the potential for Peace Corps volunteers to teach English in Yunnan, saying they would consider the issue, study the possibilities, and gather more information.

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